

MEMORANDUM FOR:

Joe

*please see p. 14 item
10 for the 3 year recovery
rule -*



Date *14 MAR 80*

STAT

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 JOHN C. DANFORTH, MISSOURI
 JOHN H. CHAMBERS, RHODE ISLAND
 JOHN HENRY, PENNSYLVANIA
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United States Senate

COMMITTEE ON FINANCE
 WASHINGTON, DC 20510

Press Release No. 95-011

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
 Thursday, March 13, 1986

Contact: Mary McAuliffe
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PACKWOOD PROPOSAL PROMOTES FAIRNESS AND GROWTH

Chairman of the Senate Finance Committee Bob Packwood (R-Ore.) today revealed the provisions contained in his tax reform package. President Reagan has endorsed the Packwood Proposal and a majority of Senate Finance Committee Members has given their go-ahead to use the package as the vehicle for markup scheduled to begin March 19.

Packwood stated that his proposal "promotes fairness and growth." The proposal is revenue neutral, with effective dates of January 1, 1987 for most provisions, compared to effective dates in the House bill of January 1, 1986.

The Packwood Proposal gives individual taxpayers an average tax cut of approximately 9.4%. Six and one half million working poor will be taken off the tax rolls, and taxpayers with lower incomes will receive the greatest tax cut. The Packwood Proposal provides a \$2,000 personal exemption for itemizers and non-itemizers alike, while the House bill penalizes itemizers by allowing them only a \$1,500 deduction.

"Small business is the future of America," Chairman Packwood said.

"It provides new ideas, new jobs, and new opportunities. Tax incentives for new equipment purchases by small businesses are increased tenfold, and favorable inventory accounting rules are included."

At the same time, the Packwood Proposal gives encouragement and relief to the troubled smokestack industries. It retains favorable depreciation rules, and lowers the cost of capital for heavy industry and small business.

Senator Packwood said, "American business competes in a world market. The U.S. tax laws must reflect trade realities. The House bill penalizes and handicaps the sale of U.S. goods abroad." The Packwood Proposal promotes U.S. exports and encourages the international competitiveness of U.S. industry.

The Packwood Proposal helps the family farmer. The Proposal provides a rebate for investment tax credits which the financially-strapped farmer could not otherwise use. Most American workers now receive tax-free health benefits, but farmers and other self-employed are denied this right under current tax law. The Packwood Proposal spells the end of this discrimination by allowing the farmers and all self-employed to deduct 50% of the cost of health insurance.

The Packwood Proposal protects the tax-free status of workers' retirement savings. The House bill would substantially deny American workers the ability to save for their retirement.

The attached detailed summary of the Packwood Proposal gives further details.

P.R. #85-011

PRELIMINARY

ESTIMATED REVENUE EFFECTS OF THE
SENATE FINANCE COMMITTEE STAFF TAX REFORM OPTION,
FISCAL YEARS 1986-1991

[Billions of Dollars]

Individual	-184
Corporate	110
Nondeductibility of excise and tariffs	62
Excise	13
Employment	<u>-2</u>
Total	*

Joint Committee on Taxation
March 13, 1986

*Less than \$500 million

PRELIMINARY

**PERCENTAGE TAX CHANGE BY INCOME CLASS
UNDER VARIOUS PROPOSALS,
1988**

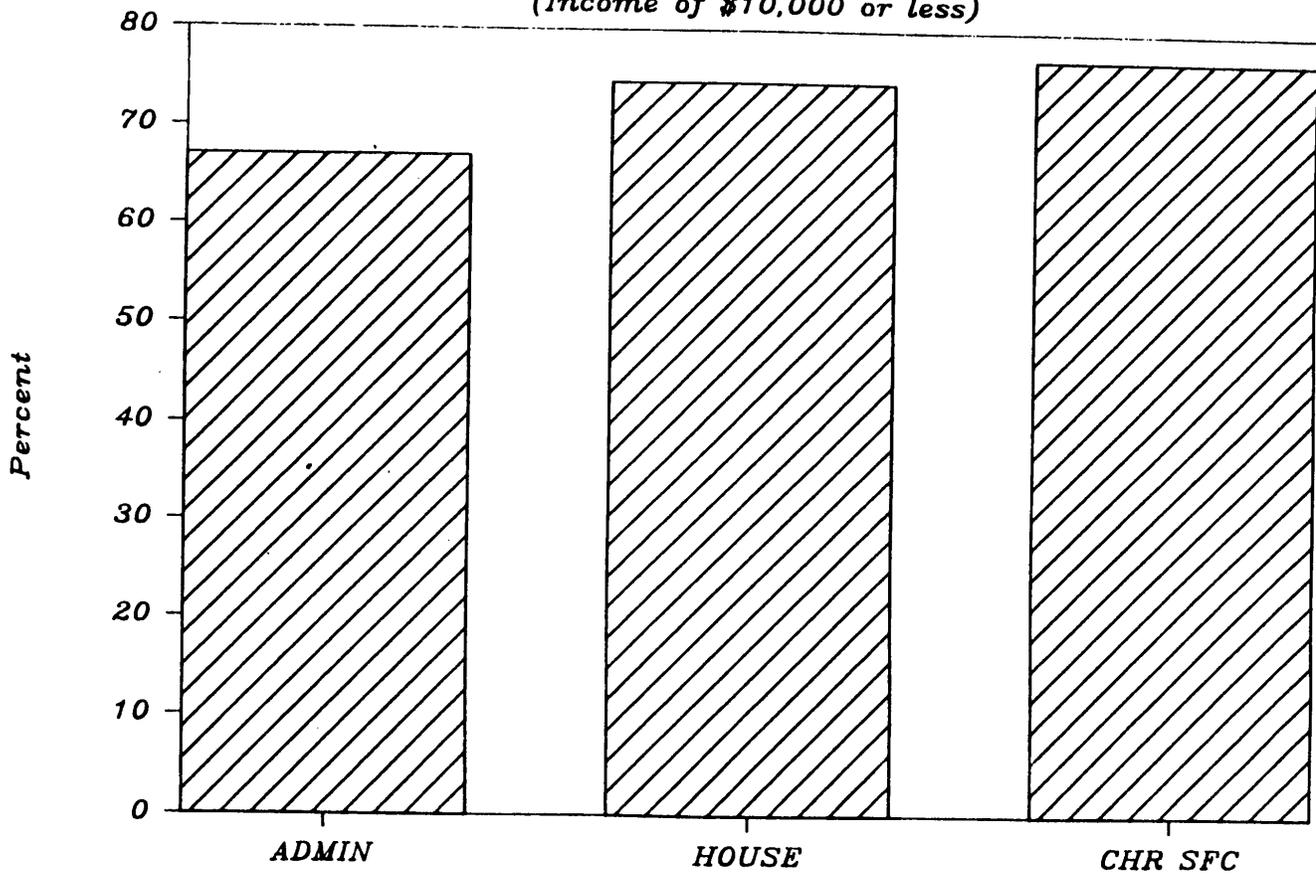
Income Class (Thousands of 1986 Dollars)	Administration Proposal	House Bill	Finance Committee Staff Option
Less than \$10.....	-67.1	-74.7	-77.2
\$10 - 20.....	-16.3	-22.8	-23.0
20 - 30.....	-8.1	-9.7	-9.7
30 - 40.....	-6.3	-9.3	-9.3
40 - 50.....	-6.1	-7.9	-6.7
50 - 75.....	-6.3	-7.8	-7.3
75 - 100.....	-9.9	-6.0	-5.1
100 - 200.....	-10.1	-7.5	-4.2
200 and above.....	-13.6	-6.0	-5.9
Total.....	-9.8	-9.1	-8.4

Joint Committee on Taxation
March 13, 1986

Note: These figures do not take account of certain provisions affecting individuals. Thus, the total tax reductions are somewhat different from what is indicated in this table.

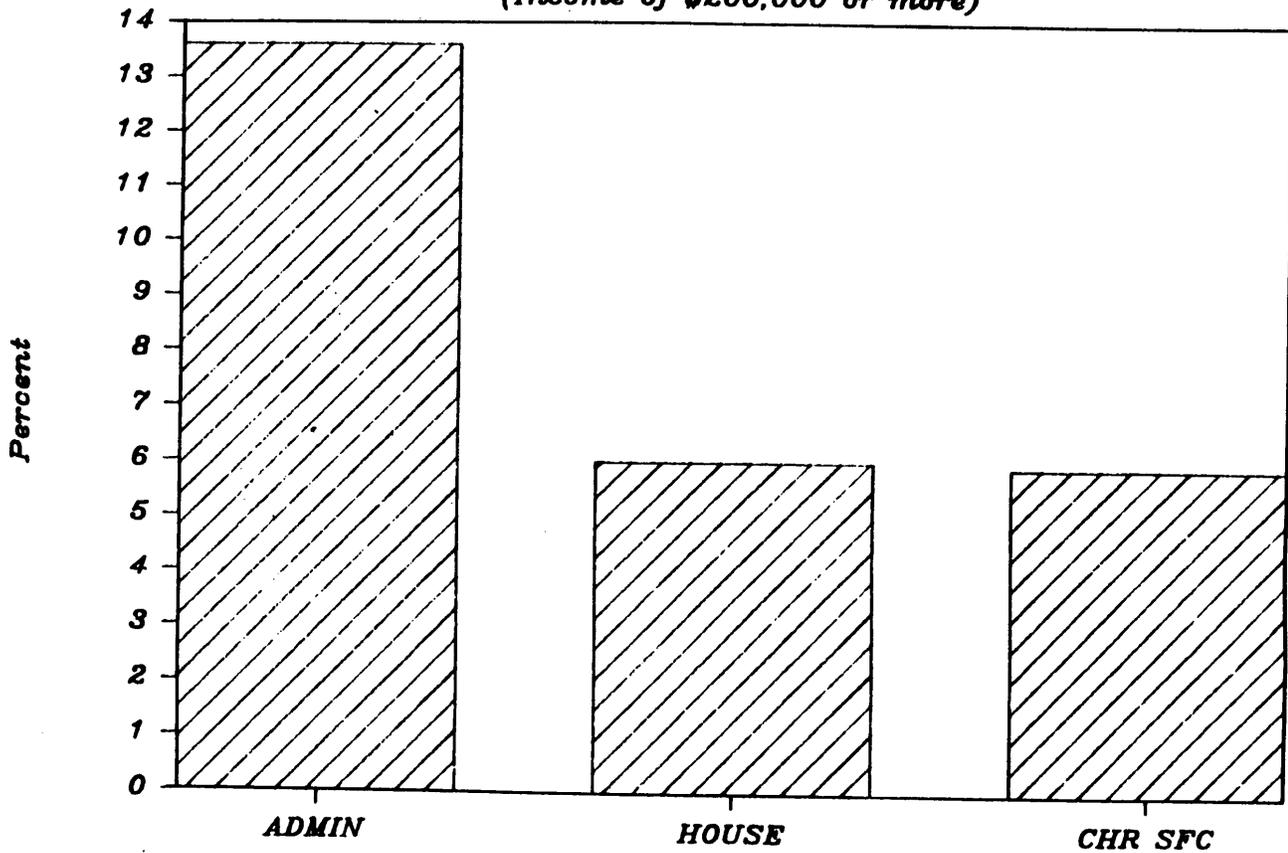
TAX CUT FOR THE POOR

(Income of \$10,000 or less)

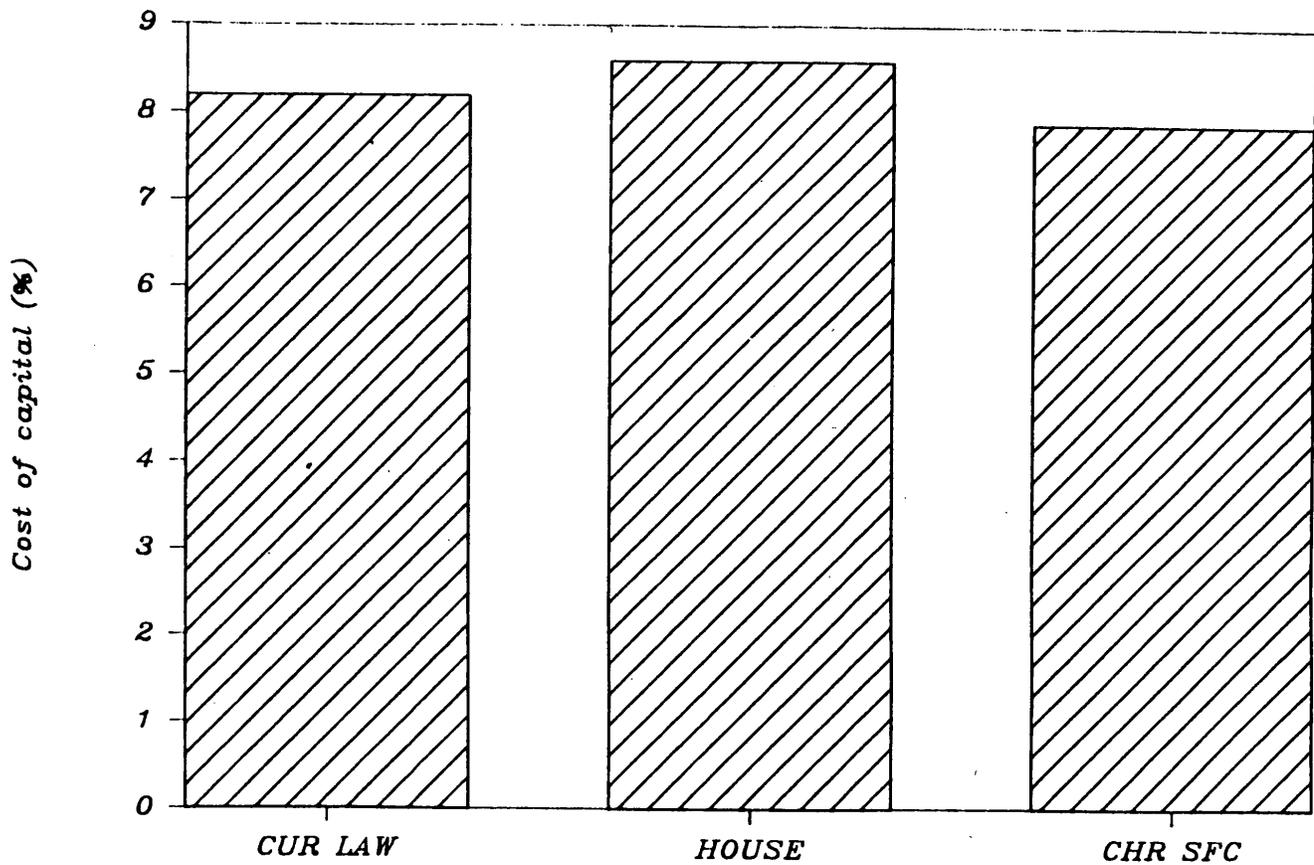


TAX CUT FOR THE RICH

(Income of \$200,000 or more)



SMALL BUSINESS COST OF CAPITAL



CORPORATE COST OF CAPITAL

